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IN RE: )  
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CHATTANOOGA GAS COMPANY ) DOCKET NO. 03-00516  
ACTUAL COST ADJUSTMENT AUDIT )  
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PETITION TO INTERVENE

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Comes Paul G. Summers, the Attorney General for the State of Tennessee, through the Consumer Advocate and Protection Division of the Office of the Attorney General (hereinafter "Consumer Advocate"), pursuant to Tenn. Code Ann. § 65-4-118(c)(2)(A), and petitions to intervene in this docket on behalf of the public interest because consumers may be adversely affected by actions taken or not taken as a result of the Tennessee Regulatory Authority ("TRA") staff audit of Chattanooga Gas Company ("Chattanooga Gas") at issue in this matter. For cause, the Petitioner would show as follows:

1. The Consumer Advocate is authorized by Tenn. Code Ann § 65-4-118 (c)(2)(A) to initiate a contested case, and participate or intervene in proceedings to represent the interests of Tennessee consumers in accordance with the Uniform Administrative Procedures Act ("UAPA").
2. Chattanooga Gas is a utility regulated by the Tennessee Regulatory Authority ("TRA"), offering natural gas service to Tennessee consumers.
3. The present docket, Docket No. 03-00516, involves a TRA staff audit of Chattanooga Gas's Actual Cost Adjustment pursuant to TRA Rules 1220-4-7 *et seq.*
4. The TRA staff recently conducted an audit of the reconciliation of gas costs with gas

charges billed to consumers through the Purchased Gas Adjustment mechanism for the year ending June 30, 2003. The report revealed several problems with the way costs are being recovered from consumers without proper credit being given to consumers for revenues produced by the sale of some of the gas assets paid for by consumers.

5. Page 14 of the audit report reveals that Chattanooga Gas failed to disclose the actual earnings from assets paid for by consumers.

6. Furthermore, Chattanooga Gas stated that it "did not separately track any transactions using the assets of its affiliates." In other words, there is a possibility that Chattanooga Gas has been dealing with its affiliate in a less than arms length manner, but has not kept proper records.

7. As a result of the staff's finding, the report contains several recommendations to the TRA. Page 17 of the report states:

1. The Authority should consider sanctions and/or penalties against Chattanooga for failure to document off-system sales margin in order to comply with the terms of its IMCR tariff.

2. The Authority should instruct Chattanooga to provide a reasonable method to determine a fair amount that should be refunded to Chattanooga customers for the use of the assets they have paid for during the period January 2002 through December 2002. Should the Company be unable to unwilling to provide a reasonable method, Staff recommends that Chattanooga customers be refunded 50% of the gross margin on all transactions that Sequent engaged in using all assets at its disposal during this period.

3. The Company should be instructed to make sure a system is in place to track all transactions made using Chattanooga's assets going forward.

4. Considering the confusion arising in this audit over the use of an affiliated asset manager, the Authority should consider formalizing an amendment to the IMCR tariff addressing the basic requirements for affiliate agreements such as this one.

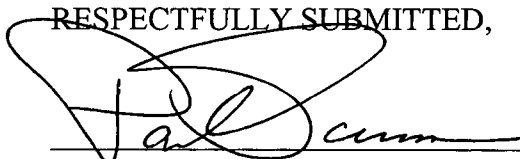
5. Due to the complexity of current market conditions and the affiliate arrangement existing between Chattanooga and Sequent, the Authority should engage an outside consultant to assist Staff in future audits of Chattanooga's ACA Account and Incentive Plan. This consultant would work under the direction of the TRA Staff, with consulting fees paid for by Chattanooga and reimbursed by the ratepayers in the Actual Cost Adjustment.

8. Accordingly, the TRA, at a minimum, should support the proposed staff audit.

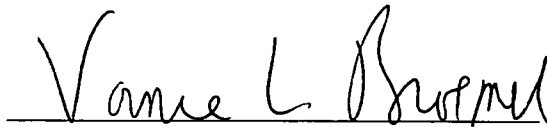
9. Only by intervening and participating in this proceeding can the Consumer Advocate work to protect the public interest.

Wherefore, the Petitioner prays the Authority to grant its Petition to Intervene and convene a contested case, and grant such other relief as may be appropriate.

RESPECTFULLY SUBMITTED,



PAUL G. SUMMERS, B.P.R. #6285  
Attorney General  
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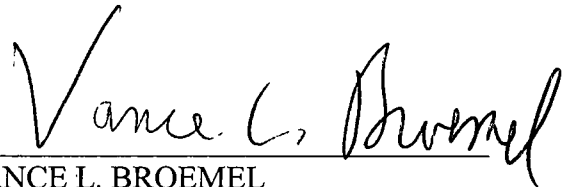
Dated: November 9, 2004

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served via hand delivery or facsimile on November 9, 2004.

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